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Goodman delivers \$229 million half year operating profit, up 34% on 1H FY2011

Date 16 February 2012

Release Immediate

Goodman Group (Goodman or Group) today announced its results for the half year ended 31 December 2011. Key financial and operational highlights for the period are:

Financial highlights

- + **Statutory accounting profit of \$200.0 million**
- + **Operating profit after tax¹ of \$229.2 million, a 34% increase on same period last year**
- + **Fully diluted operating earnings per security (EPS) of 3.05 cents², up 17% on 1H FY2011**
- + **Distribution per security (DPS) of 1.80 cents, up 20% on 1H FY2011**
- + **Strong financial position with balance sheet gearing at 24.5%³ and interest coverage ratio (ICR) of 5.0x**
- + **Net tangible assets ratio (NTA) of \$0.50 per security**
- + **Group's liquidity at \$1.1 billion, with weighted average debt maturity of 5.2 years**
- + **On track to deliver FY2012 fully diluted operating EPS of 6.1 cents, up 8% on FY2011**

Operational highlights

- + **Solid property fundamentals across core investment portfolio, with occupancy maintained at 96% and a weighted average lease expiry of 5.2 years**
- + **\$0.6 billion of new committed third party equity raised**
- + **\$0.9 billion of development commitments across 42 projects, substantially pre-committed and matched to third party capital, with work in progress at \$2.1 billion**

1. Operating profit is before unrealised gains and losses from investment property revaluations, mark to market of derivatives and other non-cash items and/or non-recurring items included in the statutory accounting profit.
2. 3.05 cents is on a fully diluted basis for the CIC hybrid securities and LTIP. This equates to 3.1 cents on an undiluted basis.
3. Calculated as total interest bearing liabilities over total assets, both net of cash and fair values of cross currency swaps used to hedge foreign debt capital market issuances equating to \$136 million – refer to Note 8 of the Interim Financial Statements.

Goodman's Group Chief Executive Officer, Mr Greg Goodman said, "We are pleased to announce the Group's half year operating result which represents a 34% increase on the same period last year and positions us well to deliver a forecast FY2012 fully diluted operating EPS of 6.1 cents, up 8% on FY2011. We have performed strongly in the first half of FY2012, with solid contributions made by all of our operating businesses, reflecting the quality of the Group's portfolio and the strength of our capital partner and customer relationships.

"The Group has worked hard to leverage its size, scale and expertise in response to the continued demand for prime logistics assets by both our customers and investors. This is reflected in the continued high occupancy of 96% across the Group and managed funds and the \$0.6 billion in new third party equity for our managed funds."

Goodman has delivered a solid financial performance, which reflects the business adapting to the current low growth and capital constrained operating environment. The Group remains focused on continued cost control, ensuring a selective, pre-committed and pre-sold approach to development activities, while maintaining low gearing of 24.5% and liquidity to cover all debt maturities to FY2015.

Mr Goodman added, "Support from our capital partners has continued during the period demonstrating the strength of Goodman's global brand. Combined with our ability to develop prime logistics assets, Goodman has continued to gain market share in a low competition environment in which development capital is hard to secure. This has seen our development work in progress grow to \$2.1 billion across 58 projects, with 85% of all developments pre-sold or pre-funded. More importantly however, our capital partnering approach is also resulting in Goodman jointly evaluating new markets with our global investment partners."

Strategy

Goodman is in a strong position as a leading specialist provider of prime quality logistics property and business space, with proven expertise, a diversified international operating platform, extensive customer relationships and support from global capital partners. This provides the Group with a distinct competitive advantage to pursue new opportunities that build the Group's position as a global leader in its sector and to drive future earnings.

"We remain committed to the prudent yet active execution of our business strategy and will leverage the strong competitive position gained from the size, scale and quality of our diversified international operating platform, and our access to third party capital to explore a range of opportunities, including entry into new markets." Mr Goodman said.

Capital restructure proposal

In conjunction with the evaluation of new markets, Goodman has taken a proactive capital management approach to adopt a more efficient global operating platform. Accordingly, Goodman will hold an Extraordinary General Meeting (EGM) for all Stapled Securityholders on 30 March 2012, to consider and vote on a proposed capital restructure.

The proposed restructure is expected to deliver a number of benefits to the Group and in turn Securityholders. These include ensuring that Goodman's corporate and capital structure supports its strategy to be a global owner, developer and manager of industrial property.

The following resolutions will be considered at the EGM:

- + Consolidation of GMG securities on a one for five basis;
- + Restructure of Goodman's existing stapled structure by adding a Hong Kong incorporated company; and
- + Amend the Company (Goodman Limited) and Trust (Goodman Industrial Trust) Constitutions to implement the restructure.

In addition to the EGM, Goodman will undertake two further capital structure initiatives, which comprise:

- + a Security Purchase Plan (SPP) offering those Securityholders wanting to increase their holding with the option to purchase up to an additional \$2,000 of GMG Securities, without brokerage; and
- + a Small Holding Divestment Facility for Securityholders with less than a marketable parcel (ie. less than \$500) of GMG securities to sell their holding without brokerage.

Documents relating to the EGM and SPP will be mailed to Securityholders by 22 February 2012. While documents relating to the Divestment Facility will be sent to the relevant Securityholders today.

Operations

The Group's operations achieved an operating EBIT of \$258 million, or a 20% increase compared with the same period last year, reflecting the growing contribution from its development and management businesses. The earnings composition was in line with the Group's expectations, with 62% contributed from investments, 25% from developments and 13% from management services. Operational highlights include the following.

Investments

Underlying property fundamentals remained robust during the first half. Overall occupancy was maintained at high levels of 96%, up from 95% compared with the same period last year. The weighted average lease expiry across the investment portfolio was 5.2 years, with continued low arrears.

Mr Goodman commented: "As a leading owner and manager of a high quality industrial property and business space portfolio, with strong customer relationships and a flexible approach, Goodman continued to benefit from the significant demand for logistics and business space across all of our markets. The underlying property fundamentals we experienced during the first half have resulted in solid leasing activity, with approximately 0.9 million sqm of space leased, high occupancy and retention levels, and like-on-like rental growth of circa 3% in the half."

Developments

Developments contributed \$71.0 million or 25% to the Group's operating EBIT, reflecting the growth in development activity across the business.

The Group secured \$0.9 billion of new development commitments during the first half across 42 projects. An overall leasing pre-commitment of 86% was achieved on new projects with an

average lease term of 8.6 years, which continues to reflect the significant customer demand that exists across all of Goodman's key markets of operation. Europe continues to outperform as the Group increases its market share with over 1 million sqm of new developments announced in the 2011 calendar year, of which approximately 600,000 sqm relates to the first half of FY2012. Consistent with Goodman's low risk approach, 85% of current development commitments are either pre-sold or pre-funded by its managed funds or third parties.

As at 31 December 2011, the Group's work in progress was \$2.1 billion, generating a yield on cost of 8.9%, and equating to 1.6 million sqm of new space.

"Our development business continues to experience significant demand, led predominantly by third party logistics providers, traditional and online retailers, and the automotive sector. Europe is performing very strongly and we are improving our competitive position in Asia, with our land bank strategy in China and Japan expected to generate development commitments in excess of \$500 million in the short-term. We are committed to the prudent growth of our development business and, with our substantial development capabilities and support from our capital partners, are well positioned to grow market share in our existing markets and also to pursue expansion into new markets." Mr Goodman said.

Management

Third party assets under management (AUM) increased to \$15.3 billion over the half year, representing a 3.6% increase on a constant currency basis compared with 30 June 2011. Management earnings represented 13% of operating EBIT and were in line with expectations.

The Group's managed fund platform completed a number of major initiatives during the first half raising new third party equity of \$0.6 billion. Goodman European Logistics Fund (GELF) raised €351 million and Goodman China Logistics Holding increased its equity commitment to US\$500 million. Separately, \$1.9 billion of new and refinanced debt facilities were completed for managed funds, including Goodman Australia Industrial Fund finalising its inaugural US\$300 million unsecured note issue with 10 and 12 year terms, and GELF securing a new €800 million debt package. These initiatives demonstrate the strength of Goodman's equity and debt capital partner relationships and confirm that equity and debt markets remain open to the Group.

"We continue to build on our capital partner relationships and this has been evident again over the half year and we expect to see further equity flows into Japan, Australia and Europe in the short-term, including from new sources. The strength of Goodman's global brand and its development and management capabilities are also presenting opportunities to partner in new markets with major investor groups." Mr Goodman said.

Capital Management

Goodman is committed to maintaining a sound financial position and has retained its strong balance sheet over the half year period. Gearing remains at a low 24.5%, consistent with the same period last year, while interest cover is at 5.0 times, well above banking covenants.

Available liquidity is currently \$1.1 billion and the Group has a weighted average debt maturity profile of 5.2 years. Debt maturities are fully covered to FY2015.

During the period, Goodman continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated that it has ongoing access to global debt capital markets. The Group's managed funds raised \$0.3 billion in the debt capital markets, with an average term to maturity of 10.2 years. The Group and managed funds also established \$1.7 billion of new bank debt facilities, with an average term of 4.0 years.

The Group achieved positive credit rating movements in the half year to 31 December 2011, with Standard and Poor's adjusting its 'BBB' corporate rating from 'negative outlook' to 'stable', while Goodman's 'Baa3' corporate rating with Moody's remains on 'positive outlook'.

Outlook

Goodman is committed to the prudent yet active delivery of its business strategy. Its focus on capital management, active asset management and increasing the contribution from its development and management activities are expected to be key earnings drivers in the second half of FY2012. Goodman's forecast FY2012 fully diluted operating EPS is 6.1 cents, up 8% on FY2011.

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For further information, please contact Goodman:

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About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe and the United Kingdom. Goodman Group, comprised of the stapled entities Goodman Limited and Goodman Industrial Trust, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist fund managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant fund management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

For more information please visit www.goodman.com